

Message Text

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ACTION EB-08

INFO OCT-01 ARA-14 EUR-12 EA-12 ISO-00 COME-00 TRSE-00
OMB-01 INT-05 CIAE-00 INR-10 NSAE-00 DODE-00 /063 W
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R 251206Z AUG 78
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 9474
INFO ALL EC CAPITALS
AMEMBASSY OTTAWA
AMEMBASSY CANBERRA
AMEMBASSY KINGSTON
AMEMBASSY GEORGETOWN
AMCONSUL PARAMARIBO

UNCLAS LONDON 13761

E.O. 11652: N/A
TAGS: EMIN
SUBJECT: LME ANNOUNCES ALUMINUM CONTRACT

1. THE LONDON METAL EXCHANGE (LME) ON AUGUST 22 ANNOUNCED THE ESTABLISHMENT OF AN ALUMINUM FUTURES CONTRACT. TRADING WILL START ON OCTOBER 2, WITH THE FIRST DELIVERY DATE ON JANUARY 2, 1979. THE CONTRACT WILL BE IN 25 METRIC TON LOTS OF PRIMARY ALUMINUM, MINIMUM 99.50 PERCENT PURITY WITH THE MAXIMUM IRON CONTENT 0.40 PERCENT AND MAXIMUM SILICON CONTENT 0.30 PERCENT, DELIVERABLE IN INGOT FORM. PRICES WILL BE QUOTED IN POUNDS STERLING.
2. IN MAKING THE ANNOUNCEMENT, THE LME STRESSED THAT THE CONTRACT WAS NOT INTENDED TO DISRUPT THE EXISTING "PRODUCER PRICE" SYSTEM. HOWEVER, BRITISH ALUMINUM PRODUCERS AND MERCHANTS WERE NEGATIVE IN THEIR COMMENTS. THE BRITISH ALUMINIUM COMPANY SAID IT BELIEVES ITS CUSTOMERS "WILL NOT WISH TO HAVE THEIR BUSINESSES UN-

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NECESSARILY COMPLICATED BY HAVING TO DEAL WITH FLUCTUATIONS SUCH AS OCCUR ON THE LME". MAJOR ALUMINUM MERCHANTS IN LONDON WERE ALSO QUOTED AS BEING PESSIMISTIC ABOUT THE SUCCESS OF THE NEW CONTRACT.

3. ARTICLES IN THE FINANCIAL TIMES AND LONDON TRADE PUBLICATIONS VIEW THE NEW CONTRACT AS A MOVE AWAY FROM

THE PRODUCER PRICE SYSTEM TOWARD THE FREE MARKET FOR
NON-FERROUS METALS. THEY CITE THE RECENT DECISION OF
KENNECOTT, THE LARGEST US COPPER PRODUCER, TO BASE SALES
PRICES ON THE DAILY QUOTATIONS OF THE NEW YORK COPPER
MARKET AS FURTHER EVIDENCE OF THIS TREND.

STREATOR

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NNN

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